

Message Text

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ACTION EA-09

INFO OCT-01 NEA-10 ISO-00 IO-10 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /109 W

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R 140715Z AUG 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2969

INFO AMEMBASSY TOKYO

CINCPACREP GUAM/TTPI

CINCPAC HONOLULU

C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 7856

E.O. 11652: GDS

TAGS: ENRG, EINV, JA, TQ, IR

SUBJECT: PALAU SUPERPORT PROJECT

REF: (A) STATE 187721, (B) STATE 187713, (C) STATE 172886

1. SUMMARY: EMBOFF DISCUSSED "PORT PACIFIC" PROJECT WITH NIOC DIRECTOR FOR INTERNATIONAL AFFAIRS, DR. PARVIZ MINA AND WITH AMERICAN PROMOTER/CONSULTANT ROBERT PANERO ON AUGUST 11. MINA WAS CAREFULLY NONCOMMITTAL ABOUT GOI/NIOC ATTITUDE TOWARD PROJECT, EMPHASIZING THAT IT WAS IN SUCH AN EARLY STAGE OF STUDY THAT HE COULD NOT OFFER ANY OPINION ON DEGREE OF GOI INTEREST. PANERO REVIEWED GENESIS OF PROJECT WITH EMBOFF AND DETAILED "INFORMAL CONTACTS" HE HAS HAD WITH USG AND OTHER OFFICIALS ON SUBJECT. PANERO IS PRESENTLY IN TEHRAN WITH LARGE MISSION OF HIGH-RANKING NISSHO-IWAI AND INDUSTRIAL BANK OF JAPAN EXECUTIVES, WHICH APPEARS TO SUGGEST SERIOUS JAPANESE INTEREST IN PROJECT. FROM POINT OF VIEW OF RELATIONS WITH IRAN, WE FEEL IT WOULD BE USEFUL TO INDICATE TO GOI AT EARLIEST POSSIBLE MOMENT THAT IF PROJECT FOUND ECONOMICALLY FEASIBLE, USG INCLINED TO VIEW IT FAVORABLY. WE WOULD LIKE TO BE
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ABLE TO SAY (IF ASKED IN FUTURE) THAT PALAU POPULATION FAVORS PROJECT, IF THIS IS IN FACT THE CASE. END SUMMARY.

2. BEFORE LONG IRANIAN WEEKEND AUGUST 5-9, EMBOFF PASSED TO

HIGH NIOC OFFICIAL MESSAGE OF REF C, PARA 3, AND ASKED HIM DEGREE OF NIOC INTEREST IN PORT PACIFIC PROJECT. THIS OFFICIAL PASSED MESSAGE TO DR. PARVIZ MANA WHO CONTACTED EMBOFF AUGUST 11. MINA SAID HE HAD BEEN IN MEETING THAT MORNING WITH ROBERT PANERO AND DELEGATION FROM NISSHO-IWAI AND INDUSTRIAL BANK OF JAPAN AND THAT HE HAD ASKED PANERO FOR A DETAILED MEMORANDUM ON PANERO'S CONTACTS WITH USG OFFICIALS ON SUBJECT OF PORT PACIFIC AND REACTIONS OF THOSE OFFICIALS TO THE PLAN. DR. MINA SAID HE WAS PERFECTLY AWARE OF AND SENSITIVE TO NEED FOR USG APPROVAL OF THIS PROJECT. MINA SAID THAT AFTER JUNE MEETING OF PANERO, JAPANESE AND PALAUAN DELEGATION WITH PRIME MINISTER HOVEYDA, LATTER HAD ASKED MINA TO FORM TECHNICAL COMMITTEE TO STUDY GENERAL FEASIBILITY OF PORT PACIFIC PROJECT. ASKED WHETHER JAPANESE EMBASSY IN TEHRAN OR GOJ HAVE EXPRESSED ANY INTEREST IN PROJECT, MINA REPLIED THAT THE JAPANESE EMBASSY HAD MADE KNOWN "INFORMALLY" THAT MITI IS "FOLLOWING PROJECT WITH INTEREST."

MINA, FEELING THAT KEY TECHNICAL/ECONOMIC ISSUE IS QUESTION OF TRANSSHIPMENT ECONOMICS IN VIEW OF NOW-DEPRESSED AND ALWAYS CYCLIC TANKER MARKET, APPOINTED NATIONAL IRANIAN TANKER COMPANY, (NITC) MANAGING DIRECTOR MOSTAFAVI TO HEAD TECHNICAL STUDY COMMITTEE. TECHNICAL COMMITTEE (NAMES OF MEMBERS OF NIOC AND JAPANESE DELEGATIONS FOLLOW BY AIRGRAM) IS CONDUCTING MEETINGS WITH PANERO AND JAPANESE AUGUST 11, 12 AND POSSIBLY 13. MINA AND HIS SENIOR DEPUTY HAVE BOTH EMPHASIZED TO EMBOFF THAT THEIR CONSIDERATION OF PROJECT IS IN EXTREMELY EARLY STAGE AND THAT GOI CERTAINLY IS SENSITIVE TO NEED FOR USG APPROVAL.

3. IN LONG CONVERSATION WITH PANERO ON AFTERNOON OF AUGUST 11, EMBOFF QUESTIONED PANERO IN DETAIL ON HIS OWN BACKGROUND AND GENESIS OF PORT PACIFIC PROJECT. MR. PANERO SAID HE HAD WORKED FOR SOME TEN YEARS AS A SENIOR MEMBER, AND IN A SENSE ONE OF THE FOUNDERS, OF HUDOSN INSTITUTE, AND THAT DURING THIS PERIOD HE HAS DONE CONSULTING IN SOUTH AMERICA, THE MIDDLE EAST, AND JAPAN. A FEW YEARS AGO, PANERO SAID, HE LEFT HUDOSN INSTITUTE TO FORM HIS OWN CONSULTING FIRM. ABOUT TWO YEARS AGO JAPANESE EXECUTIVES ASKED HIM TO STUDY FEASIBILITY OF MAJOR PETROLEUM STORAGE AND TRANSSHIPMENT POINT FOR JAPANESE MARKET, TO BE LOCATED PERHAPS IN CONFIDENTIAL

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THE MARIANA ISLANDS. PANERO SAID THAT AFTER THE STUDY HE TOLD JAPANESE THAT IDEA MOST DEFINITELY FEASIBLE BUT THE INDICATED ISLAND FROM ALL POINTS OF VIEW WAS PALAU. SINCE THAT TIME PANERO HAS WORKED ON ORGANIZING AND PROMOTING SUCH A PROJECT. PANERO SAID THAT IN JUNE HE, REPRESENTATIVES OF NISSHO-IWAI AND INDUSTRIAL BANK OF JAPAN, AND PALUAN SENATOR TO MICRONESIA CONGRESS MET WITH PRIME MINISTER HOVEYDA, TO WHOM PANERO HAD PREVIOUSLY SENT PORT PACIFIC PROPOSAL, COPY OF WHICH WAS FORWARDED TO THIS EMBASSY BY DEPARTMENT. PANERO SAID PM CLEARLY HAD READ THE PROPOSAL AND APPEARED INTERESTED IN LEARNING MORE ABOUT IT. PANERO SAID THE PRIME MINISTER HAD CHARGED DR. MINA WITH STUDYING THE PROJECT AND THAT MINA HAD IN TURN ASKED NITC MANAGING DIRECTOR MOSTAFAVI TO STUDY TRANSPORTATION ECONOMICS OF PROJECT. PANERO SAID JAPA-

NESE AMBASSADOR TO TEHRAN WAS PRESENT IN JUNE MEETING WITH PRIME MINISTER. (JAPANESE EMBASSY CONFIRMED THIS, BUT ADDED THAT AMBASSADOR'S PRESENCE SIMPLY "CUSTOM" FOLLOWED WHENEVER JAPANESE CITIZENS VISIT PRIME MINISTER. ADDED THAT GOJ SIMPLY FOLLOWING PROJECT, BUT AS YET HAS NO POSITION--IS "NEUTRAL"--ON PROJECT.) ASKED WHAT HIS PRESENT THINKING WAS ON HOW SHARES IN PROJECT SHOULD BE DIVIDED, PANERO SAID THIS WAS NOT FIRM BUT MIGHT BE SOMETHING LIKE 25PERCENT JAPAN, 30PERCENT US, 35 PERCENT IRAN, AND 10 PERCENT PALAU (THROUGH ORGANIZATION CALLED PALAU DEVELOPMENT AND ENVIRONMENTAL AUTHORITY). HE SAID PERHAPS SHARES OF FIRST THREE LISTED ABOVE MIGHT ALL BE SHAVED SOMEWHAT TO MAKE ROOM FOR SHAREHOLDERS FROM SINGAPORE, MALASIA AND PHILIPPINES.

4. SINCE JUNE MEETING, PANERO SAID HE OR FRIENDS OF HIS HAVE HAD "INFORMAL CONTACTS" WITH THE FOLLOWING GOVERNMENT OFFICES ON THE SUBJECT OF PORT PACIFIC: (A) DOI, TRUST TERRITORY OFFICES; (B) AMBASSADOR WILLIAMS, STATUS NEGOTIATOR AND HEAD OF INTERAGENCY TEAM ON TT; (C) DOC, A FRIEND OF HIS WHO IS ASSISTANT SECRETARY FOR EAST/WEST TRADE; (D) TT HIGH COMMISSIONER, DEPUTY COMMISSIONER AND RESOURCES DEVELOPMENT CHIEF; (E) ADMIRAL CROWE OF DOD-ISA AND LT GEN TIGHE, DEPUTY DIRECTOR DOD/DIA; (F) STATE DEPARTMENT: PANERO'S FRIEND GEYELIN OF COUNCIL OF AMERICAS HAS CORRESPONDED WITH UNDER SECRETARY ROBINSON; PANERO SAID ASSISTANT SECRETARY HABID WAS ALSO CONTACTED; (G) IN PALAU, THE TWO SENATORS AND THE DISTRICT LEGISLATURE; (H) ADMIRAL CARROLL, NAVY COMMANDER FOR TRUST TERRITORY AREA.

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USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /109 W

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R 140715Z AUG 75

FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 2970
INFO AMEMBASSY TOKYO
CINCPACREP GUAM/TTPI
CINCPAC HONOLULU

C O N F I D E N T I A L SECTION 2 OF 2 TEHRAN 7856

5. PANERO CLAIMED THAT THERE IS CONSIDERABLE PALAUAN SUPPORT FOR PROJECT (THEY'RE PRACTICALLY PRAYING FOR IT TO HAPPEN") AND NO

OPPOSITION ON THE ISLAND, EXCEPT FOR AN AMERICAN MARINE BIOLOGIST AND A VERY FEW PALAUANS WHO WORK FOR HIM. HE SAID THAT ASIDE FROM LEGAL ISSUE OF US AUTHORITY UNDER THE ISLAND, PROJECT OBVIOUSLY WILL NOT FLOAT WITHOUT USG APPROVAL BECAUSE WHOLE IDEA IS THAT USG WILL CONTINUE TO USE THIS AREA AS PART OF NEW SECURITY PERIMETER AND THAT JAPAN WOULD IN EFFECT BE TURNING OVER A KEY SUPPLY POINT AND CONSIDERABLE STRATEGIC STORAGE TO THE CARE OF THE US NAVY. IRAN, HE OPINED, CANNOT FAIL TO APPROVE THE PROJECT ONCE THEY CONVINCE THEMSELVES THAT THE ECONOMICS ARE GOOD: PROJECT FOR GOI WOULD REPRESENT LOGICAL STEP IN VIEW STATED POLICIES OF LAST SEVERAL YEARS, CULMINATING IN OBVIOUS GOI EFFORT OF LAST TWO YEARS TO PROJECT ITS INFLUENCE OUTWARD IN INDIAN OCEAN AREA. PANERO OBVIOUSLY A PROMOTER, BUT IT IS EQUALLY OBVIOUS, HAS MOST SERIOUS BACKING FROM JAPANESE BUSINESSMEN. HE EMPHAHIZES THREE ASPECTS OF THIS PROJECT: (A) NEW POLITICAL/SECURITY TIES AMONG US, IRAN AND JAPAN; (B) PROJECT IS FIRST-RATE BUSINESS OPPORTUNITY (PANERO SAID "SINGAPORE SHOWS THAT MAJOR PORT AND ENERGY INDUSTRY COMPLEX CAN BE DEVELOPED FROM VERY LETTLE IN AS SHORT A TIME AS EIGHT YEARS. PORT PACIFIC IS OPPORTUNITY TO

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BUILD ANOTHER SINGAPORE.") (C) ECONOMIC DEVELOPMENT AND PROSPERITY FOR PALUA ISLANDERS.

6. EMBASSY OBVIOUSLY UNABLE TO COMMENT ON ASPECTS RELATED TO US ADMINISTRATION OF TRUST TERRITORY AND US RELATIONS WITH JAPAN. IF USG SHOULD DECIDE, HOWEVER, THAT PROJECT HAS SOME PROMISE, WE FEEL IT WOULD BE USEFUL AND FRIENDLY GESTURE TO INDICATE TO GOI AT EARLIEST POSSIBLE MOMENT THAT WHILE USG MUST ASCERTAIN ISLANDERS' SUPPORT OF PROJECT AND MUST STUDY ENVIORNMENTAL IMPACT, USG IS INCLINED FROM POLITICAL POINT OF VIEW TO LOOK FAVORABLY ON PROJECT.

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